

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 96-59 **DATE RECEIVED:** Jun 20 96
STATE AGENCY: State Board of Tax Commissioners **DATE PREPARED:** Jul 31 96

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Digest of Proposed Rule: This proposal amends portions of 50 IAC 2.2 concerning the real property assessment manual to conform with IC 6-1.1-4-4. This statute dictates that a general reassessment of real property will begin on July 1, 1997, and become effective on March 1, 1999.

IC 6-1.1-4-26 provides that the State Board of Tax Commissioners may adopt or promulgate regulations, appraisal manuals, rules, bulletins, directives, and forms for the assessment and reassessment of real property.

Please note that the Indiana Tax Court has recently ruled that Indiana's current method of real property assessment violates Indiana's Constitution. The court has ordered the state to assess properties on a market value basis by March 1, 1998. This decision is currently under appeal to the Indiana Supreme Court. In light of the appeal, work on this proposed rule (which does not use the market value approach) has continued. Depending on the court's final ruling, this proposed rule may or may not be promulgated.

Governmental Entities:

State: There are no unfunded mandates placed upon any state agency by this proposed rule.

Local: Total local revenues will not be affected. Increased assessed valuations that result from reassessment will cause a tax rate reduction. Current law also provides that cumulative fund rates are to be adjusted for any increase due to reassessment. The tax levy is therefore unaffected by the change in valuation.

There are no unfunded mandates placed upon any political subdivision by this proposed rule. Counties impose a reassessment fund property tax. The proceeds from this fund are used by county and township assessors to perform the reassessment.

Regulated Entities: According to State Tax Board, the estimated statewide increase in real property values due to reassessment for each class of property are as follows: Residential, 9.45%; Agricultural, 6.91%; Commercial, 2.99%, Industrial, 4.24%; and Utilities, 4.24%.

These valuation increases, coupled with increased valuation due to normal growth create a shift in the property tax burden from some classes to others. Currently, Indiana's real property is reassessed every four years. Therefore the tax shift due to this proposed rule will be in place for four years, beginning with taxes paid in the year 2000.

It is important to note that the estimates in this analysis are statewide estimates. The actual impact of this rule on a particular piece of property depends on the specific attributes that property, including its location. Some shifting will also occur within each property class.

The following table indicates the tax shift among the classes of property for the four years. The commercial, industrial, and utility real property classes show a negative shift even though their valuations are increased by reassessment. This is because the values for residential and agricultural property will be increased by a larger percentage than the other classes. Because of increasing total net levies, a negative tax shift does not necessarily mean a tax reduction from one year to the next. It means that the property class would pay less under a reassessment than it would if there were no reassessment.

| Property Class | 2000 | 2001 | 2002 | 2003 | Total | 4 Year | |
|----------------|--------|--------|--------|---------|---------|--------|-------|
| (In Millions) | | | | | | | |
| Real Estate: | | | | | | | |
| Residential | \$85.2 | \$91.8 | \$98.8 | \$107.2 | \$383.0 | | |
| Agricultural | | 9.2 | | 10.0 | 10.8 | 11.8 | 41.8 |
| Commercial | (18.2) | | (19.4) | (20.7) | (22.3) | (80.7) | |
| Industrial | (3.0) | | (3.2) | (3.4) | (3.6) | (13.2) | |
| Utility | (0.4) | (0.4) | (0.5) | (0.5) | (1.8) | | |
| Total Real | 72.8 | | 78.7 | | 85.0 | 92.6 | 329.1 |
| Personal Prop. | (72.8) | (78.7) | (85.0) | (92.6) | (329.1) | | |

(Totals may not add due to rounding)

Information Sources: State Board of Tax Commissioners, Jim Hemming (232-3761); Local Government Database.